



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS**

DRAFT

Date Introduced:	02/18/11	Bill No:	<u>Assembly Bill 946</u>
Tax Program:	Property Taxes	Author:	Butler
Sponsor:	Board of Equalization	Code Sections:	RTC 279
Related Bills:	AB 188 (Block)	Effective Date:	01/01/12

BILL SUMMARY

This bill consolidates the effective and termination dates of the disabled veterans' exemption into one section of law.

ANALYSIS

CURRENT LAW

Article XIII, Section 4 of the California Constitution provides that the Legislature may exempt from property tax, in whole or in part, the home of a person or a person's spouse, if the person, because of injury or disease incurred in military service, is totally disabled. This exemption is commonly referred to as the "disabled veterans' exemption." The disabled veterans' exemption is also available to the unmarried surviving spouse of a person who dies while on active military duty or to the unmarried surviving spouse of a veteran who may or may not have already been receiving the exemption and later dies as a result of a service connected injury or disease.

Revenue and Taxation Code Section 205.5 is the implementing statute. It provides that "totally disabled" means a veteran who has a disability rating from the United States Department of Veterans Affairs (USDVA) or the military service from which the veteran was discharged at 100 percent or has a disability compensation rating at 100 percent because he or she is unable to secure or follow a substantially gainful occupation. The exemption, which is compounded annually by an inflation factor, has two tiers, depending upon the claimant's income.

For the 2011-12 fiscal year, the disabled veterans' exemption amount will be \$175,269 of assessed value for those with a household income below \$52,470 (the "low income exemption"). For all others, the disabled veteran's exemption amount shall be \$116,845 (the "basic exemption").

QUALIFICATION	BASIC	LOW INCOME
VETERAN Disability Rating @ 100% Disability Compensation @ 100% Blind Loss of Two or More Limbs	\$116,845* *\$100,000 as adjusted for inflation	\$175,269* *\$150,000 as adjusted for inflation
SPOUSE OF QUALIFIED VETERAN Unmarried Surviving Spouse of Disabled Veteran Unmarried Surviving Spouse of Person Who Died on Active Duty Unmarried Surviving Spouse of Person Who Dies of a Service- Connected Injury or Disease		**Household Income less than \$52,470

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Numerous sections of law (Sections 75.22, 205.5, 276.1 and 276.2) specify the effective date of the disabled veterans' exemption pursuant to various circumstances. Once granted, Section 279 provides that the disabled veterans' exemption will remain in continuous effect until specified events occur. Sections 276.3 and 279.5 provide that when a property no longer qualifies for the exemption, the exemption is to be immediately cancelled.

PROPOSED LAW

Effective Dates. This bill would add subdivision (a) to Section 279 to consolidate into that section of law the effective date of the disabled veterans' exemption for specified situations. This is a nonsubstantive change, since the effective dates are set forth by other sections of law. The exemption effective dates, subject to the provisions regarding cancellations and the limitation periods on refunds, are as follows:

- **Delayed Disability Rating.** The effective date of disability as determined by the USDVA. *Section 276.1*
- **New Home Purchase.** The date a qualified claimant purchases a property that constitutes the principal place of residence, provided residency is established within 90 days of purchase. *Sections 75.22 and 276.2*
- **Rental or Second Home Conversion.** The date a qualified claimant establishes principal place of residence at a property owned by the claimant or the spouse. *Section 276.2*
- **Post-Death Qualification.** The date the veteran died, in the event the USDVA rules that the death was a result of a service-connected injury or disease. *Section 205.5(c)(1)(B)*

Termination Dates - Remarriage. This bill would add paragraph (5) to Section 279(b), which lists the events that terminate exemption eligibility, to include when an unmarried surviving spouse remarries. Should the former surviving spouse subsequently become unmarried due to divorce or death, eligibility would be re-established on those dates. *Section 205.5 (c)*

Technical Provisions. This bill would amend Section 279 to delete language referencing the lien date throughout the text in order to be consistent with Sections 276.2 and 276.3. Additionally, the bill would amend Section 279 to use the phrase "claimant" and "qualified claimant" throughout.

COMMENTS

1. **Sponsor and Purpose.** This bill is sponsored by the Board of Equalization to consolidate into one section of law the effective and termination dates of the disabled veterans' exemption. This will serve to reduce errors in the administration of the exemption as well as to better educate those eligible for the exemption.
2. **Issue.** The current laws on the disabled veterans' exemption are widely dispersed and lack cross references. While Section 279 lists the events that would cause the exemption to be terminated, it does not similarly specify those events that allow the exemption to be granted. Furthermore, it does not specify the effective date for each of those various circumstances. The changes made by this bill are nonsubstantive but improve the administration of the exemption by providing a complete and accurate list of key events in one section of code.

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- 3. Complete, Accurate, and Reader Friendly.** Complete and accurate information in a single section of code greatly assists tax administrators and tax practitioners. It is particularly useful to those who are new to this area of law or address these issues infrequently. Additionally, making this area of law more user-friendly will better meet the needs of disabled veterans, surviving spouses, and others who assist them in claiming the exemption by ensuring that the exemption is being granted on their home as of the earliest possible date and informing them of those events that will cause ineligibility.
- 4. Related Legislation.** AB 188 (Block) also proposes amendments to Section 279 to ensure that an unmarried surviving spouse that is receiving the disabled veterans' exemption will continue to receive the exemption if he or she is confined to a hospital or care facility. Double joining amendments will be needed should both bills become enacted to prevent chaptering out issues.

COST ESTIMATE

Absorbable.

REVENUE ESTIMATE

No revenue impact.

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